

VZCZCXYZ0002
PP RUEHWEB

DE RUEHLP #1805/01 1812020
ZNR UUUUU ZZH
P 302020Z JUN 06
FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC PRIORITY 9835
INFO RUEHAC/AMEMBASSY ASUNCION 5976
RUEHBO/AMEMBASSY BOGOTA 3294
RUEHBR/AMEMBASSY BRASILIA 7143
RUEHBU/AMEMBASSY BUENOS AIRES 4400
RUEHCV/AMEMBASSY CARACAS 1683
RUEHPE/AMEMBASSY LIMA 1685
RUEHMD/AMEMBASSY MADRID 3117
RUEHMN/AMEMBASSY MONTEVIDEO 3897
RUEHQT/AMEMBASSY QUITO 4314
RUEHSG/AMEMBASSY SANTIAGO 8871
RHEHNSC/NSC WASHINGTON DC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS LA PAZ 001805

SIPDIS

SENSITIVE
SIPDIS

STATE FOR WHA/AND
TREASURY FOR SGOOCH
ENERGY FOR CDAY AND SLADISLAW

E.O. 12958: N/A
TAGS: [ECON](#) [EINV](#) [EPET](#) [BL](#)
SUBJECT: ARGENTINA AND BOLIVIA SIGN IMMIGRATION AND GAS
AGREEMENTS

REF: A. BUENOS AIRES 1352

[1](#)B. LA PAZ 1782

[1](#)1. (SBU) Summary: Bolivian and Argentine government officials signed seven agreements in Buenos Aires on June 29 regarding several topics including immigration, natural gas prices, and the construction of a bridge connecting the two countries (reftels). Argentina did not agree to legalize coca exports. Argentina's agreement to pay significantly more for Bolivian gas exports, as well as its commitment to facilitate Bolivian immigration, is being used by the MAS to buoy its popularity prior to the July 2 constituent assembly elections. End summary.

Seven Agreements Signed

[1](#)2. (SBU) Bolivian and Argentine government officials signed agreements in Buenos Aires on June 29 regarding immigration, natural gas prices, the construction of a bridge on the border between the two nations, the creation of a common missing children database, labor, and public investment. The presidents of both nations announced the terms of the agreements at the inauguration of a new stadium filled with thousands of Bolivian immigrants (approximately 180,000 Bolivians live in Argentina). According to energy firm contacts who attended the event, President Kirchner announced that Argentina would improve conditions for Bolivian immigrants. An Argentine Embassy contact in La Paz told us that Argentina has been applying the terms of the Mercosur Immigration Convention since 2004, which gives Bolivians the right to reside legally in Argentina. However, because the procedures for acquiring legal residency permits were expensive and complicated, few Bolivian migrants took advantage of their rights under the convention. He said that the GOA had agreed to make the process easier and cheaper, including offering services in more locations.

Gas Price Agreement

¶3. (SBU) Argentina, which currently pays USD 3.2 per million BTU of Bolivian natural gas, agreed to increase the price to USD 5 per million BTU beginning July 15 and ending December ¶31. Before the end of the year, representatives from both countries will design a price adjustment formula to be applied beginning January 1, 2007. The agreement, which has a term of 20 years, establishes that Bolivia, which currently exports about 4.5 million cubic meters per day to Argentina, will eventually export up to 27.7 million cubic meters per day. The existing pipeline has a capacity of around 7.7 million cubic meters; therefore, the additional 20 million cubic meters will require the construction of a new pipeline to northwestern Argentina (GNEA). Argentine and Bolivian state oil companies, Enarsa and YPF, will analyze the possibility of conducting joint exploration. Argentina also agreed to provide Bolivia with credit, reportedly for USD 350 million, for the construction of a gas/liquid separation plant in the Bolivian Chaco.

Gas Sales to Chile

¶4. (SBU) The gas agreement included a clause stating that Bolivian gas could not be used to authorize additional exports from Argentina to third countries without both parties' agreement, which could potentially impact Argentine sales to Chile, Brazil, and Uruguay. This clause was pushed by Bolivia to prevent Argentina from selling gas to Chile. (Note: Bolivia would like Chile to provide access to the sea in exchange for Bolivian gas. End note.) However, a contact from the Argentine Embassy in La Paz told us that this clause was carefully drafted so as to not affect Argentina's future export possibilities. He explained that Argentina exported its own gas to Chile, rather than gas imported from Bolivia,

which would be logistically difficult to export to Chile due to pipeline configurations. Bolivia could not forbid Argentina from exporting its own gas, he added.

No Coca Exports

¶5. (SBU) According to press reports, Bolivia currently illegally exports around 140 tons of coca (or USD 50 million dollars worth) annually to Argentina. The Argentine Embassy told Econoff that Argentineans can legally chew coca, but can not legally grow or import it -- leading to significant contraband trade. On June 29, President Morales proposed an agreement to legalize, monitor, and control the export of coca leaves to northern Argentina, which was not accepted by President Kirchner. Morales did not make remarks about coca at the stadium inauguration, and the issue has received little press coverage in La Paz, although one Bolivian television station erroneously reported that coca will be exported legally to Argentina. The MAS held a large rally in Cochabamba on the evening of June 29 to publicize the bilateral agreements and garner support in the run-up to the constituent assembly elections.

¶6. (SBU) Comment: Argentina's agreement to pay USD 5 per million BTU of gas has neighboring Brazil worried about its chances of negotiating a favorable price with the Bolivian government, as Bolivia is touting the new Argentine price as its base reference price and claiming that Brazil should pay USD 7.5 per million BTU. The announcement of higher gas export prices and the negotiation of better treatment for thousands of Bolivian immigrants in Argentina three days before constituent assembly elections can only help the MAS on July 2. End comment.

GREENLEE